

**Fund Balances budgeted for 12-31-2010:**

GENERAL: \$6,052,765  
E-911: \$ 169,831

**TOTAL \$6,222,596**

**Required Reserves budgeted for 12-31-2010**

GENERAL: \$4,292,974  
E-911: \$ 160,415

**TOTAL \$4,453,389**

**Excess Reserves budgeted for 12-31-2010**

GENERAL: \$1,759,791  
E-911: \$ 9,416

**TOTAL \$1,769,207**

If we end 2010 with the budgeted fund balances and choose not to balance the budget for 2011, our Excess Reserves will be depleted prior to the end of fiscal year 2011. The timing of that is varied based on our ability to actually end this year with the budgeted reserves as well as the budget we ultimately choose to adopt for 2011.

**If we repeat the 2010 budget for 2011, those Excess Reserves (1.7 million) are projected to be depleted by September 2011.**

**If we were to adopt the anticipated 2011 budget as needed, those Excess Reserves (1.7 million) are projected to be depleted by April or May 2011.**

**IN ORDER TO DELIVER A BALANCED BUDGET FOR 2011, WE ESTIMATE THAT IT WILL TAKE CUTS OF APPROXIMATELY \$2.5 MILLION DOLLARS (NET) FROM THE 2010 BUDGET. THESE WOULD PRIMARILY BE IN PERSONNEL, AS THERE ARE ALREADY NO VEHICLES AND LIMITED FIXED ASSETS IN THE 2010 BUDGET. THIS ALSO MEANS THAT WE WILL HAVE TO CUT ADDITIONAL REVENUES TO COMPENSATE FOR ANY UNEMPLOYMENT BENEFITS WE WILL BE ASSESSED.**

## **How do you net \$2.5 million dollars in personnel cuts?**

A city budget is complex, in that it is made up of multiple streams of revenue. Many of those revenue streams are RESTRICTED, meaning that they can ONLY be used for specific purposes or departments. Here is a prime example:

The city gets monies from State Turnback and a County Road Tax that are specifically designated by law for use on streets and street related projects. We use these monies to operate our Streets & Engineering Departments. In 2010, we are projecting revenues of just over \$4 million dollars into this DESIGNATED STREET FUND. We have budgeted some \$3.7 million in expenses, leaving us with a SURPLUS of about \$281,000. BUT WE CAN'T USE THAT MONEY FOR ANYTHING ELSE.

So...any cuts or reductions in the street or engineering budgets would have a ZERO EFFECT on our Operating Deficit.

The same holds true for our Capital Improvement money. We have a designated revenue stream (half a penny sales tax) that is restricted by a vote of the people to be used for "capital improvements of a public nature"...meaning drainage, construction, facilities and infrastructure. There are certain things, by state law, that we can transfer out of that fund to use in operations. AND WE ARE ALREADY TAKING FULL ADVANTAGE OF THAT LAW.

We made several administrative cuts in late 2009 trying to "lean up". We redistributed workloads and in some cases reduced staff in our smaller administrative departments by 25-30%. There is little left to cut there and still provide essential support services required to operate the city. Our best estimations are that additional cuts to those smaller departments would greatly impact service to the public. Still, at best, we could capture POTENTIAL SAVINGS of up to \$50,000 by making another round of reorganizations and reductions. These reductions would, however, impact services to the public.

When you eliminate Streets & Engineering and make your rounds again through the administrative departments; you are left with Sanitation, Parks & Recreation and Public Safety (Police, Fire, E-911 and Animal Control).

### **SANITATION**

As we look at Sanitation in terms of major reductions for budget impact, we are quickly faced with some stark realities. First of all, we have to pick up residential waste. We don't have to recycle, and we don't have to pick up yard waste. Those two programs could be eliminated in the face of major budget cutbacks and would save us approximately \$100,000.

Landfill costs and management maintenance costs are already managed extremely tight. When it comes to residential pickup, we have looked at a variety of ways to reduce. We looked at privatization; but the end result is that there was a serious concern over service and it was never clear how much, if any, true savings would be gained.

We have looked at what it would take to reduce our pickups from weekly to every other week. While on the surface, you might think this would cut your costs in half, it wouldn't. First of all, you are limited by

the capacity of your trucks; when they get full, they have to be driven out to the landfill and dumped. Residents are still going to generate the same amount of trash, which means we'll be making the same number of trips to the landfill. We would also have to give residents somewhere to contain the additional week's worth of garbage. To provide each household in the city of Jonesboro with an additional trash container would cost approximately \$1.3 million dollars.

Truthfully, very little savings can be captured and still provide an acceptable level of service to the residents of Jonesboro; who are already specifically paying for trash pickup with our existing local sales tax.

### ***PARKS & RECREATION***

When it comes to cutting, this department and the various public safety departments are the only ones with enough size to get us where we need to be. Here's the reality:

In order to balance the budget, when you look ahead at what can actually be cut from public safety, we would be forced to make significant reductions in Parks & Recreation. We could maintain the cemeteries out of the perpetual care fund; and we'd have to keep enough people to operate the cemeteries and keep the grass cut at our parks...other than that, we'd have to shut down all programs that weren't self funded, close the community centers several days per week, and shut down the public pool at Earl Bell.

### ***PUBLIC SAFETY***

We started early working with these departments for a couple of reasons. First of all, this is where the growth has occurred. Since 2005, the demand for Operating Budgets on these departments has for all practical purposes doubled (we were spending \$11 million in 2005 and IF we were buying the equipment we need just to maintain our current staffing we'd be spending close to \$21 million now).

Public Safety is almost 60% of our entire Operating Budget. The demand for service has increased dramatically over the last several years, and we have been playing catch-up.

The Fire Department is adequately staffed and positioned, but only with essential personnel. They have already restructured their training department and made cuts in their administration to get us to where we are today. **Additionally, the firefighters voluntarily voted to give up their longevity pay beginning this year, even though they are allowed that benefit by city ordinance.**

E-911 runs with what they have to have. Police and Animal Control are understaffed for the size of our community already.

The understaffing issue is something we'll address later. For now, suffice it to say that we have nothing to spare in terms of personnel. But, to balance the budget with no additional revenue streams, we have to go to where the people are in order to make the cuts.

Both chiefs have completed the exercise of projected budget reductions. In order to net \$1.2 million from EACH department (\$2.4 million TOTAL), several reductions in staff and services would have to take place.

### ***FIRE DEPARTMENT***

In order to obtain the reduction in the Fire Department budget, operations would be significantly impacted. The proposed reductions by Chief Jadrich include:

- Reduction of 27 firefighters
  - Shut down two ladder trucks and the rescue truck (18 firefighters)
  - Shut down on existing fire station (9 firefighters)
- Elimination of semi-annual commercial business inspections
- Elimination of the hydrant maintenance program
- Reduce staffing to two-man engine companies
- Reduce Fire Marshall's office to one person

In addition to the compromising position this puts the city in as it relates to overall safety; there are practical and financial implications beyond the potential savings.

Commercial inspections and hydrant maintenance are both ISO requirements. The elimination of those programs, along with the reduction of 27 firefighters and only staffing two-man engine companies will have an adverse impact on our ISO rating; at BEST lowering from a Class 3 to at least a Class 4, quite possibly a Class 5.

There are real financial repercussions to owners of commercial and residential property as this kind of drop in ISO rating could lead to a rise in insurance premiums of 15% to 30% for home and business property owners.

These staff reductions will set us back over a decade and the ladder/rescue truck programs set us back almost 20 years in terms of the level of services we offer our citizens.

### ***POLICE DEPARTMENT***

Given the fact that we are further behind in terms of adequate staffing levels in police than we are in fire, the pending reductions in the police department could be far more devastating to daily service.

The proposed reductions by Chief Yates include:

- Reduction of 40 police officers
  - DTF reduced to a total of three investigators
  - PROWL unit completely disbanded
  - CID cut to a total of five investigators
  - Traffic Division eliminated

- REDUCTIONS WOULD MEAN WE WOULD NO LONGER RESPOND TO:
  - Private property accidents
  - Civil stand-by's
  - Entering auto's (unless in progress)
  - Gas drive-offs
  - Miscellaneous calls for service

It would also call into scrutiny both the DARE and School Resource Officer (SRO) programs due to the need to have every experienced officer on staff actually on patrol. We would have to have every available man on the street to maintain whatever semblance of order and protection possible.

The net reduction of \$1.2 million reflected above actually represents a larger number, taking into account the penalties we would have to pay back to the federal government for not meeting our COPS grant staffing requirements and potential loss of reimbursement revenue on the SRO program.

As mentioned previously, these reductions are especially troubling given the fact that we are understaffed both according to accredited staffing standards as well as locally meeting the increased demands for service.

In recent years we have experienced an increase of over **28%** in demand for service (2005 compared to 2009), while only increasing our staffing by **10%** (*almost half of this 10% increase is the 7 COPS officers provided in 2009 as a result of the stimulus*). Subsequently, the March 2010 monthly and YTD Crime Statistics and Analysis Report shows that trend continuing, as **we are up 30% in total call volume over the first quarter of 2009**. This increased demand demonstrates once again that we are facing a mounting challenge that will require additional resources; not less.

In an effort to best manage our existing resources and be good stewards of both our revenues as well as our responsibility to protect our citizens, we have undertaken a review of expenses on a program by program basis. Two areas that we asked for reconsideration were:

- Take home vehicles for officers
- Officer incentive pay program

We asked the department to revisit the extensive research that was done initially when these two programs were instituted in an effort to make sure that we have gotten the desired results and return on investment that we needed to justify their continuation. Police administrators have spent significant time re-evaluating both programs.

Their findings were that both programs were having the desired effect on not only the quality of performance and service; but the financial benefits as anticipated.

Take-home vehicles continue to pace at a life-expectancy of over twice as long as hot-seat vehicles; and our investment in incentive and education pay for the department has been offset financially by a significant reduction in attrition. The benefits of more reliable equipment and a better trained staff also cannot be lost when considering our primary responsibility is to protect and serve.

When evaluating our overall fiscal management of the department, a study was done to see how we fared in comparison with several other communities in terms of our cost per capita, staffing levels, pay

structure, etc. These were done, once again, in an attempt to make sure that our management practices and allocated costs were responsible and competitive.

The first thing looked at was the total per capita investment made in police protection. (See table below)

Agency	Number of Sworn (Total)	2009 Population	Per Capita Cost
North Little Rock	202	59,490	\$300.61
Hot Springs	105	39,064	\$286.12
West Memphis	82	27,480	\$225.38
Fort Smith	164	84,375	\$203.90
Bentonville	53	33,744	\$202.76
Fayetteville	120	72,208	\$192.84
Pine Bluff	144	50,667	\$187.37
Springdale	116	66,881	\$165.23
Conway	112	57,006	\$157.14
Jonesboro	146	63,190	\$151.43

- Note: Every departments Budgets are structured differently which creates variation in this per capita cost estimate. The above is meant to represent our best attempt at an “apples to apples” comparison.**

The study shows that Jonesboro is staffed at a level of 2.31 officers per 1,000 persons; compared to levels of 2.7 in Hot Springs, 2.8 in Pine Bluff, 3.0 in West Memphis, 3.4 in North Little Rock and 3.5 in Jackson, TN. **If, however, we eliminate 40 positions from within the department, when our new resident count comes in this year from the Census we will be closer to 1.5 officers per 1,000...putting us at that point only 60% of the national average.**

It also showed that our mean pay for Jonesboro Police Officers, while competitive, is still below several Arkansas cities studied, including; Bentonville, Springdale, North Little Rock, Hot Springs, Fort Smith and Fayetteville.

This information affirms to us that our police department is neither overstaffed nor overpaid. Additional research shows that from 2004 to 2006, per capita spending for state & local police protection grew from \$160 to \$180 per capita. This, again, affirms that our 2009 investment of \$151.43 per capita is well managed.

It also affirms to the Chief that the only way to cut the budget at the levels required is to eliminate positions.

### ***ALTERNATIVES TO BUDGET REDUCTION***

Once it was determined the depth and breadth of cuts that would be required to reach the targeted reductions, the feeling was that level of reduction in services and the risk they imposed to public welfare and safety needs to be made by the citizens, not the administration.

Therefore, an analysis was conducted with the best projections possible as to what kind of revenue stream it would take to offset our projected expenses and how long that revenue stream would need to be in place.

We talked to economists with the Arkansas Department of Finance & Administration as well as other economic forecasters as we conducted our due diligence. In looking at finance markets, projected unemployment, economic conditions, etc. have indicated that we are looking at steady progress with periods of challenges over the next 3-4 years.

As we worked to balance the minimum amount of revenue required to successfully meet the demand for service and the latitude to make sure we are capable of weathering any additional inconsistencies in the economy, we would like to ask the citizens to approve a ½ of a cent public safety sales tax for a period of four years.

The public safety sales tax will generate at less than one-third of our current operating revenue in the public safety departments. It will, however, allow us to take pressure off the General Fund revenues that are currently supporting 100% of the departments' operations.

### ***HOW OUR TAX RATE COMPARES TO OTHER COMMUNITIES***

Currently, the City of Jonesboro has a city sales tax of .01, placing us lower than several communities, including; Hot Springs, West Memphis, Conway, Bentonville, Springdale, Fayetteville and Fort Smith. Additionally, when combined with our county sales tax, we are lower than other local communities of interest, including; Paragould, Blytheville, Osceola, Walnut Ridge, Hoxie, Pocahontas, Trumann, Harrisburg, Marked Tree, Newport, Forrest City and Batesville, among others.

The administration feels that even with the proposed ½ of a penny increase, we are still competitive on both a local and regional basis, and our discussion have indicated that this would not place our local retailers at any sort of competitive disadvantage.

### ***SUMMARY***

The city of Jonesboro is a progressive, growing community. We are unique in terms our size geographically compared to our population. We are the fifth largest city in Arkansas in terms of population, but we are second only to Little Rock in terms of square miles within the city limits. That means, in practical terms, we have 80 square miles to patrol and protect, spray for mosquitoes, etc. We

are spread out in terms of development; meaning it takes more people, fuel and vehicles to collect trash, repair streets, and address drainage (we have over 500 miles of ditches within the city limits).

We are well funded in multiple areas and are financially sound across multiple designated funds. Years of adjusting our operations to meet the growing demands of our city, when coincided with a downturn in the economy and other factors, has depleted our General Fund used for operations and maintenance to a level where even a continuation of existing services will eliminate all excess reserves in that fund by early to mid 2011.

We recognize that we continue to face many challenges that growing communities face; and that if we are not keeping pace with public safety demands, we are in fact, going backwards. The last thing we feel that we need to do is impede our ability to keep our citizens and visitors safe.

As an administration, we feel that once presented with the facts of ongoing operational costs and the ultimate need for additional safety personnel that they will feel this ½ of a penny sales tax will be a wise investment. Given our position as a regional hub for entertainment, retail, healthcare, education and industry, a large portion of our sales tax is generated and paid by persons who live outside our community. In fairness, those who live outside our community and frequent our retailers, service providers and institutions are also major consumers of demand for service in terms of daytime safety (an estimated 58% of all calls for service between 8am-5pm involve non-Jonesboro residents).

While we recognize that we are faring better than a great number of communities around the nation, we also acknowledge that we have not been completely insulated with the ramifications of the economic crisis of the past few years. This alone makes it less than an ideal time to ask the public for a sales tax increase, regardless of the justification.

But we also have confidence in the citizens of Jonesboro. We are confident that they recognize we are working hard to manage our finances on a daily basis, and that this administration would not be asking for this public safety sales tax if we did not truly believe that it was absolutely necessary. We believe that our citizens, like this administration, desire a safe community that remains vibrant and viable.

If they do, they have the pledge of the administration and employees that we will continue to be good and responsible stewards of their monies and that we will give them a measurable return on their investment.